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Approved For Release 2001/04/27 : CIA-RDP79T01049A001300030001-0

1P-413

(Project 45.985)

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The following information is submitted in response to your letter of 6 September 1955, Ref: 11952/7/55. We are in general agreement with the facts presented in the referenced letter with respect to population increase and demand for labor, and feel that the economic background is adequately presented.

A minor disagreement arises from the figure of 4.35 million as the size of the armed forces when G-2 estimates 4 million.

The implication that the 640,000 demobilized men are not immediately needed is subject to different interpretations, as evidenced by the slightly different emphasis given to the economic needs in Paragraphs 4 and 5 of the attachment to the referenced letter. Paragraph 4 cites the announcement that the demobilized men are to be employed in their home communities. On the other hand, numerous subsequent local announcements of recruiting authorizations indicate a considerable redistribution of labor to the new lands, coal mines, construction, timber and other areas of pressing demand. Likewise, the significance of the approach of the "inactive season" in agriculture can be easily overemphasized in the present situation as the expansion in agriculture involves a very extensive program of construction of transportation, storage, marketing and housing facilities. We agree that, from some angles, the 640,000 may be considered a very small addition to the total civilian labor forces, but the 2 - 2.5 million involved in the general disarmament proposal would, as pointed out in Paragraph 5, constitute a needed and significant prop to the economy. In summary, we agree that no immediate crisis situation exists, but that the ambitious programs of the Soviets for expansion of all phases of the economy is creating a continuing pressure to expand the labor force, which is approaching the unrealistic in view of the slackening population increase and failure to attain planned productivity

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increases. In relation to reduction in the armed forces, it may be characterized as one of those situations which give the Russians the opportunity to make political capital out of a measure which will be of substantial benefit to their internal economy.

Robert Amory, Jr.
Deputy Director/Intelligence

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RR/S/PM: [redacted] :jmc/2305 (22 Sep 1955)

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